



ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

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NEWS RELEASE

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OFFICE OF FINANCIAL INSTITUTIONS CAUTIONS INVESTORS *Research before investing in oil and gas securities*

FRANKFORT, Ky. (May 15, 2007) – As rising fuel prices drive up interest in oil and gas exploration, the Office of Financial Institutions (OFI) cautions investors to research before investing in drilling ventures or other types of securities.

The majority of securities investigations in Kentucky relate to the sale of interest in oil and gas drilling programs.

“Oil and gas exploration is inherently risky. Caution is always advised,” said Cordell Lawrence, executive director of OFI. “High profit equals high risk.”

With rising public interest in oil supplies, scam artists may begin to peddle investments that resemble legitimate oil and gas deals. In the past, OFI investigators have uncovered questionable and even outright fraudulent energy deals aggressively promoted to the public in Kentucky and other states. Even when the underlying project is legitimate, any revenues realized can be absorbed by high sales commissions paid to the promoter and dubious or inflated company expenses.

To verify that a security is a sound investment, call OFI’s Securities Division. Kentucky law requires most securities and the people selling them to be registered.

Call 800-223-2579 *before* investing to find out if the person or firm is registered to do business in Kentucky and if the investment is allowed to be sold. Ask about any complaints or disciplinary action against the salesperson or firm.

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Always do your own research as well. Get a prospectus and read it. Request the company's annual reports. Disclosure statements are required to be provided and will include information such as the risk of the investment, the promised rate of return and the intended use of the offering proceeds.

Beware of high-pressure sales tactics. Say no to any person who presses you to make an immediate decision. You need time to do your own research. Other red flags are assertions by the promoter that it is a can't-miss opportunity, that returns are guaranteed, that it is a private deal open to only a few people or that you have to act fast.

OFI offers a free "Oil and Gas Investor Checklist" at www.kfi.ky.gov/consumerinfo/PressReleases.htm that can aid in researching the investment and company. To ask about a security or to file a complaint, call 502-573-3390 or toll free 800-223-2579.

OFI is an agency of the Department of Public Protection in the Environmental and Public Protection Cabinet. It licenses, charters and regulates the activities of state-chartered/licensed depository and nondepository financial institutions. OFI's mission is to serve the public through effective and efficient regulation that promotes consumer confidence and economic growth.

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